

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
May 24, 2005
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Tuesday, May 24, 2005 Regular Meeting of the Illinois Gaming Board ("Board") was held in the Heritage Ballroom at the Centre of Elgin in Elgin, Illinois pursuant to the Illinois Open Meetings Act, 5 ILCS 120/1 et seq.

The following Board Members were present: Chairman Aaron Jaffe and Members Gary Peterlin, Eugene Winkler and Charles Gardner. Member William Dugan was not present for the May 24, 2005 meeting.

Chairman Jaffe convened the May 24, 2005 Regular Meeting at 10:30 A.M. in the conference room of the Centre of Elgin.

Member Winkler moved that **the Board reconvene into Open session.** Member Gardner seconded the motion. The Board approved the motion unanimously by voice vote.

The Board convened its Open Session at 1:40 P.M.

Member Gardner moved that **the Board approve the closed session minutes of its Special Meeting of March 24, 2005, Special Meeting of March 30, 2005, Special Meeting of April 13, 2005, Special Meeting of April 14, 2005, Regular Meeting of April 21, 2005, Special Meeting of May 3, 2005 and the open session minutes of its Special Meeting of March 24, 2005, Special Meeting of March 30, 2005, Special Meeting of April 13, 2005, Special Meeting of April 14, 2005, Regular Meeting of April 21, 2005, and its Special Meeting of May 3, 2005.** Member Winkler seconded the motion. The Board approved the motion unanimously by voice vote.

Member Gardner noted that the minutes from the April 21, 2005 meeting should indicate that the next Board meeting would not be on June 7, 2005 but on June 8, 2005.

Chairman's Report

Chairman Jaffe stated that there are discussions going on in Springfield regarding legislation surrounding gaming in Illinois. Chairman Jaffe stated that legislators are meeting with representatives from the Governor's Office to discuss various proposals. Chairman Jaffe stated that there have been talks about additional gaming positions at each of the casinos. Chairman Jaffe stated that the most important thing that the legislators should be talking about if they are expanding gambling in the State of Illinois, is that there is a need for a strong regulatory agency. Chairman Jaffe stated that he feels that having a strong regulatory

agency would be good for the people in the State of Illinois, as well as for the gaming industry.

Chairman Jaffe stated that the Gaming Board's independence Bill is still before the Rules Committee. Chairman Jaffe stated that it is his hope that the leaders in the General Assembly would put the Bill on the top of their agenda. Chairman Jaffe stated that the gaming industry needs a strong regulatory agency. Chairman Jaffe stated reiterated that out of all of the things that the Board has proposed to the General Assembly, he feels that the Board's independence is the most important issue. Chairman Jaffe stated everyone has indicated that they are in support of an independent board. Chairman Jaffe stated that now is the time for the legislature and the Governor to come forth and show that they are in fact for an independent board. Chairman Jaffe stressed that it is extremely important that the Board gets its independence. Chairman Jaffe stated that the Board should not have to go to any other agency head to get permission to hire people and set policies. Chairman Jaffe stated that the Board is under budget and understaffed because the Board can't hire the people that it needs to due to all of the red tape required by the Department of Revenue.

Board Members' Comments

Member Peterlin stated that he is happy to see how Chairman Jaffe has "carried the ball" on the issue of independence. Member Peterlin stated that it is really a pleasure to be serving with the new Board members.

Member Peterlin stated that it is a privilege to be in a community that hosts a facility. Member Peterlin stated that to be out in the community is very important. Member Peterlin stated that visiting the community of the casino allows the Board the opportunity to interact with the community and also allows the Board to see the community.

Administrator's Report

Interim Administrator Tamayo briefed the public on what the Board discussed in Closed session.

Interim Administrator Tamayo announced that the Board has been able to retain, through the Illinois State Police, eight agents for the casinos. Interim Administrator Tamayo stated that two of the individuals currently work for the Gaming Board as investigators, so the Board is looking to replace those investigative positions. Interim Administrator Tamayo stated that Staff has requested permission from the Department of Revenue to hire two additional revenue positions.

Interim Tamayo stated that Staff received approval from the Department of Revenue to replace the Operations Manager position. Interim Administrator Tamayo stated that Staff would be posting the position to supervise five riverboats within the next few days.

Interim Administrator Tamayo stated that Staff has requested from the Department of Revenue to hire four 75-day temporary agents to assist with investigations; a SPSA

Investigations Supervisor; a replacement Attorney; a replacement Law Clerk; a Revenue Agent for the Elgin riverboat; and authority to hire permanently the Self-Exclusion Program Director. Interim Administrator Tamayo stated that those requests are pending.

Interim Administrator Tamayo stated that Staff's request for outside Administrative Law Judges, outside of the Emerald case, is still pending.

Interim Administrator Tamayo stated that Staff did receive approval to retain the two expert witnesses in the Emerald case, as well as Judge Abner Mikva.

Interim Administrator Tamayo stated that Staff is seeking approval for outside legal counsel for general matters, and five contractual investigators that would be selected through a RFP process.

Interim Administrator Tamayo stated that Staff has been working on an independence budget and what it would take to adequately staff the Gaming Board. Interim Administrator Tamayo stated that Staff has presented those proposals to the House Appropriations Committee.

Interim Administrator Tamayo stated that Staff provided legislative tours at Harrah's Joliet, and will schedule additional tours in the downstate area sometime in June or July.

Board Policy Items

Interim Administrator Tamayo stated that the language to allow Casino Rock Island to relocate off of the Mississippi River and to commence its construction project passed the House and is now pending before the Senate.

Interim Administrator Tamayo stated that the Board's current legislation, House Bill 1921, is sitting in the Rules Committee and it does provide for the Board's independence. Interim Administrator Tamayo stated that a request has been made for Staff to appear before the Appropriations Committee to discuss the dollar amount and the staffing allowance that would be required for the Board to be independent and fully staffed. Interim Administrator Tamayo stated that Staff recommended that the riverboat agents move from two 10-hour shifts to three eight-hour shifts so the riverboats are staffed on an ongoing basis. Interim Administrator Tamayo stated that Staff has also asked for increments of staffing with the Internal Control Unit.

Chairman Jaffe stated that when it comes to the budget, it is not only "bare bones," but the Board is working on the "marrow." Chairman Jaffe stated that when it comes to the Lottery, the Lottery's budget is 10% of the revenue that they bring in. Chairman Jaffe stated that racetrack's budget is somewhere between 25% and 50% of the revenues that they bring in. Chairman Jaffe stated that the Gaming Board's budget is 2% of the revenue that the casinos bring in. Chairman Jaffe stated that the Board is trying to raise that amount to somewhere between 4% and 5% . Chairman Jaffe stated that if the legislature refuses to raise the

Gaming Board's budget in that meager amount of money, it's really an indication that they are not interested in "putting their money where their mouth is," because they have said one thing and now it's time for them to act.

Interim Administrator Tamayo stated that Staff received a legislative inquiry with regards to racinos and the expansion of gaming positions at the riverboats. Interim Administrator Tamayo stated that with regard to the expansion of gaming positions, Staff indicated that they do not view it as expansion, and it is something that could be accommodated, but may need some additional staff to assist with it. Interim Administrator Tamayo stated that in terms of racinos, Staff has identified that it would be a massive undertaking because it is essentially setting up new casinos. Interim Administrator Tamayo stated that because it would be setting up new casinos, Staff would have to conduct licensee investigations of the entity and all of the individuals who are employed, and write the Minimum Internal Controls.

Owner Licensee Items

Grand Victoria Casino - License Renewal – Donna More, Attorney, was present on behalf of Grand Victoria Casino to request initial consideration for license renewal. Dan Azark, Chairman of Hyatt Gaming Management, and Member of the Executive Committee of Elgin Riverboat, was present to discuss his role as Chairman of Hyatt Gaming Management. Mr. Azark stated that as part of the MGM/Mandalay merger, Hyatt Gaming Management agreed to become a manager of the joint venture. Mr. Azark stated that Hyatt Gaming Management would continue to work closely with Grand Victoria Casino to make sure that the casino reflects the highest standards of the Gaming Board.

Peter Liguori, President, Hyatt Gaming Management, and Manager Joint Venture Partner of Grand Victoria Casino was present to discuss Hyatt Gaming Management and its role with Grand Victoria Casino. Mr. Liguori stated that Hyatt Gaming has recently submitted the necessary application and supporting documents, which are currently under review by the Illinois Gaming Board's Staff for approval to enable Hyatt Gaming to act as an additional resource and support for Grand Victoria.

Randy Roberts, General Manager, Grand Victoria Casino, outlined for the Board how Grand Victoria has been beneficial to the City of Elgin and the State of Illinois. Mr. Roberts stated that since 1994 Grand Victoria has paid nearly \$1.1 billion dollars in taxes to the State of Illinois, \$242 million dollars to the City of Elgin, and \$75 million dollars to Kane County.

Mr. Roberts discussed Grand Victoria's use of Illinois and minority vendors.

Mr. Roberts discussed Grand Victoria's commitment to its staff, the percentage of minority employees, and employee benefits. Mr. Roberts stated that Grand Victoria's success is tied to the quality of its staff.

Mr. Roberts stated that Grand Victoria is committed to self-support programs to help individuals with gambling problems. Mr. Roberts stated that 722 patrons have self-excluded

under its self-exclusion plan, and 316 patrons have self-excluded under the Illinois Gaming Board's Self-Exclusion Program. Mr. Roberts stated that Grand Victoria has been working with Gaming Board staff to consolidate the two programs.

Mr. Roberts discussed charitable donations made by Grand Victoria Casino. Mr. Roberts discussed the Grand Victoria Foundation, which is funded by the casino. Mr. Roberts stated that, since its inception, the Foundation has awarded 800 grants totaling over \$45 million dollars.

Bob Beeter, Interim Chief of Police, Elgin Police Department, was present to provide the Board with statistics regarding crime in Elgin as it relates to Grand Victoria. Mr. Beeter stated that the crime rate is non-existent compared to the amount of people that patronize the casino.

Ed Schock, Mayor, City of Elgin, was present to express the City of Elgin's support for the license renewal of Grand Victoria Casino and the positive impact that riverboat gaming has had on the City of Elgin.

Member Gardner inquired about the ethnic makeup of the community. Mayor Schock stated that the City of Elgin is 53% white, about 35% Hispanic, 7% African American.

Member Peterlin asked how involved is the City of Elgin as it relates to Grand Victoria's plan for gambling addiction. Mayor Schock stated that the City of Elgin was the first local community to commit local dollars to treat gambling problems. Mayor Schock stated that the City has a social agency, that Grand Victoria has a contract with that social agency, and that it uses the City's local share of riverboat dollars to provide gambling addiction services.

Member Gardner asked how the Mayor feels about the Grand Victoria Foundation. Mayor Schock stated that he feels that the Foundation has done a tremendous job not just for the City of Elgin but for the surrounding areas.

Member Peterlin stated that it is good to see the positive affects that Grand Victoria has had on the community. Member Peterlin stated that as the legislature considers potential expansion or new positions he hopes that there would be a way that new monies could be redirected to other communities throughout Illinois.

Mr. Roberts closed by saying that Grand Victoria is very proud of its accomplishments and looks forward to continuing its good working relationship with the Board, with the host community of Elgin, and providing a quality and safe experience for its patrons.

Member Gardner requested that Grand Victoria analyzes its employee base and compare it to the community as it relates to the ethnic makeup. Member Gardner requested that Grand Victoria provide more information regarding the Foundation and the issue of building an endowment as opposed to the current donations structure. Member Gardner asked if Grand Victoria ever considered adding independent directors to the Foundation. Member Gardner

stated that Grand Victoria indicated that two thirds of its supplies comes from other vendors, Member Gardner inquired who sells the other third. Member Gardner inquired why Grand Victoria's Self-Exclusion list is bigger than the Board's Self-Exclusion list. Member Gardner requested that Grand Victoria consider the above questions before Grand Victoria returns before the Board for final action.

Member Winkler requested that Grand Victoria address his concerns at the next meeting regarding the number of minorities who are at the bottom of the economic ladder at the casino. Member Winkler stated that the City of Elgin has a large base of Latinos, African Americans and other minorities who are not represented at the highest level of management.

Member Winkler requested that Grand Victoria address his concerns at the next meeting regarding the outside Directors for the Foundation. Member Winkler stated that the close collusion between the management of the casino and the management of the Foundation seems to be a detriment in the way that grants are considered.

Member Peterlin requested that Grand Victoria address his concerns at the next meeting regarding Grand Victoria Casino working with community colleges to support the idea of educational opportunities.

Member Peterlin requested that Grand Victoria address his concerns at the next meeting regarding any efforts that Grand Victoria has made thus far relating to patrons who owe child support.

Member Gardner commended Grand Victoria on its tuition reimbursement program. Member Gardner inquired if there is a way that the money could be provided up front to facilitate employees pursuing educational opportunities.

Emerald Casino – Request to Waive Two-Meeting Rule and Request to Amend 8/20/02 Credit Agreement – John McMahon was present on behalf of Emerald Casino seeking the Board's consideration to amend Emerald's existing credit agreement and to waive the Two-Meeting Rule. Mr. McMahon stated that Emerald has an existing credit agreement that was entered into on August 20, 2002. Mr. McMahon stated that the agreement was for \$5 million dollars in conjunction with Emerald's bankruptcy involuntary petition. Mr. McMahon stated that the money is exhausted and Emerald is looking to increase the credit facility by \$1.5 million dollars to facilitate the defense of the ALJ matter that the Board has reinitiated against the company.

Member Winkler inquired how the money would be spent. Mr. McMahon responded that the money would be spent on a retainer for counsel, as well as fees and expenses for expert witnesses and consultants in conjunction with the hearing.

Member Winkler asked if the money would be spent on public relations, and if so how much. Mr. McMahon responded that it would be spent on public relations and that it's all-inclusive.

Member Peterlin asked if Emerald has approval from the bankruptcy court. Mr. McMahon responded that the issue is on the Bankruptcy Court's agenda for Thursday, May 26, 2005 at 10:00 A.M.

Member Gardner asked why Emerald wants the Two-Meeting Rule waived. Mr. McMahon stated that Emerald's counsel would like to be paid a retainer because the hearing starts May 25, 2005.

Member Winkler asked if \$1,500,000 dollars would be spent on public relations. Mr. McMahon stated that it would not be. Mr. McMahon stated that the amendment is for \$1.5 million dollars. Member Winkler asked how much of that is to be spent on public relations. Mr. McMahon stated that \$1,000,000 is for a retainer to Emerald's attorney. Mr. McMahon stated that the million dollars covers the defense cost for the ALJ matter and public relations, as it is an all encompassing retainer. Mr. McMahon stated that the half of million dollars is available in the event that Emerald needs to pay expert witnesses, third party consultants, and outside parties.

Member Winkler asked if it's possible to use the public relations money to hire someone to attack the Illinois Gaming Board for its position on the hearing. Mr. McMahon stated that the credit agreement states that Emerald will use the funds to defend the ALJ matter. Mr. McMahon stated that the funds are very specific for the defense of that hearing. Mr. McMahon stated that how Mr. Clifford spends the funds is part of the overall defense strategy.

Member Winkler inquired if the defense strategy could include attacking the Board's position in the media. Mr. McMahon stated that he is not an attorney and does not pretend to understand the defense strategy, but if the Board is surmising that it could be the case, he has no comment.

Chairman Jaffe asked what the rush was and why Emerald wants the Board to waive the Two-Meeting Rule. Mr. McMahon stated that Emerald's attorney is waiting for payment. Mr. McMahon stated that Emerald arranged for payment not to be released until it was approved by the Gaming Board and the Bankruptcy Court.

Chairman Jaffe asked how the other attorneys on the case are being paid. Mr. McMahon stated that the other attorneys were replaced by Mr. Clifford.

Mr. Ostrowski inquired if Kirkland and Ellis submitted a formal withdrawal. Mr. McMahon responded that he is not sure. Interim Administrator Tamayo stated that it was her understanding that Emerald would be using Robert Clifford for the ALJ matter, and Kirkland and Ellis for the bankruptcy matter.

Chairman Jaffe asked if Emerald owes Kirkland and Ellis money. Mr. McMahon stated that Emerald does. Chairman Jaffe asked why it isn't important to pay them. Mr. McMahon stated that Kirkland and Ellis are covered under the bankruptcy plan and they are an

administrative expense under that plan. Mr. McMahon stated that he is sorry for the confusion and he will make sure that Kirkland files an official document to withdraw as counsel.

Member Gardner moved that **the Board not waive the two-meeting rule required by Board Rule 3000.105(e) to permit Emerald Casino, Inc. to present to the Board its request to amend the 8-20-2002 Credit Agreement.** Member Winkler seconded the motion. The Board approved the motion unanimously by voice vote.

Harrah's Metropolis – License Renewal – Mike Crider, General Manager, Tom Thanas, General Counsel, and Jill Knowles, Director of Human Resources, were present on behalf of Harrah's Metropolis seeking license renewal.

Mr. Crider provided the Board with information that the Board requested at the April 16, 2005 meeting.

Ms. Knowles discussed the programs that Harrah's offers to minority employees and the ethnic makeup of employees from the counties surrounding the City of Metropolis.

Member Winkler stated that he is encouraged that Harrah's is offering the training and tutoring programs to help ethnic minority employees move up the management level.

Mr. Crider discussed the computer-based identification system that Harrah's plans to implement to detect underage patrons.

Harrah's Metropolis, Gregory L. Yates, Internal Auditor – Level One –

Based on a review of the staff's investigation and recommendation, Member Winkler moved that **the Board approve Gregory L. Yates as a Level 1 Occupational Licensee of Southern Illinois Riverboat Casino Cruises Inc. d/b/a Harrah's Metropolis Casino.** Member Gardner seconded the motion. The Board approved the motion unanimously by voice vote.

Supplier Licensee Items

U.S. Playing Card – License Renewal

Based on the staff's investigation and recommendation, Member Gardner moved that **the Board approve the Supplier's license of United States Playing Card Company for a term of 4 years. Further, the Board designated and approved the following positions, persons and entities as Key Persons of the licensee:**

- 1. Chief Executive Officer;**
- 2. President;**
- 3. Chief Operating Officer;**

4. Gregory S. Simko;
5. USPC Holding, Inc.; and
6. Bicycle Holdings, Inc.

Further, the Board designated Jason R. Lockwood and Jardon Corporation Inc. as Key Persons. Member Winkler seconded the motion. The Board approved the motion unanimously by voice vote.

- Western Money Systems – Approval of Initial License

Based on the staff's investigation and recommendation, Member Peterlin moved that **the Board approve the Initial Supplier's license of Western Money Systems for a term of 1 year. Further, the Board designated and approved the following positions, persons and entities as Key Persons of the licensee:**

1. Chief Executive Officer;
2. President;
3. Bernard W. Boyle; and
4. Kathleen M. Boyle.

Further, Western Money Systems will need administrator approval to supply the following kiosk devices to Illinois licensees:

1. TicketXchange/CasinoXchange (TXC/CXC);
2. DollarXchange (DXC); and
3. PointXchange (PXC).

Member Winkler seconded the motion. The Board approved the motion unanimously by voice vote.

Occupational Licensees

Based on staff's investigation and recommendation, Member Gardner moved that **the Board approve 33 applications for an Occupational License, Level 2, and 76 applications for an Occupational License, Level 3.** Member Winkler seconded the motion. The Board approved the motion unanimously by voice vote.

At 4:10 P.M., Member Gardner moved to adjourn. Member Winkler seconded the motion. The Board approved the motion unanimously by voice vote.

Respectfully submitted,
Monica Thomas

Secretary to the Board